

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA
MAY 17, 2005
MINUTES**

MEMBERS PRESENT:

John Holdsworth, Vice Chairman
Tom Morrow, Commissioner
Sally Shaffer, Commissioner
Gordon Zuckerman, Commissioner

ABSENT:

Ned Sickle, Chairman
Margaret Dunn, Commissioner
Jerry Gleason, Commissioner

STAFF:

Lee Guillory
Kathy O'Connor
Kathy Montalvo

OTHERS PRESENT FOR ALL OR PORTIONS OF THE MEETING:

Wayne Ecton, Councilman
Brent DeRaad
Rachel Sacco

1. CALL TO ORDER

Vice Chairman Holdsworth called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:09 a.m.

2. ROLL CALL

A formal roll call confirmed members present as stated above, noting the presence of a quorum.

3. APPROVAL OF MINUTES

COMMISSIONER MORROW MOVED TO APPROVE THE MINUTES OF THE APRIL 19TH, 2005 MEETING. SECONDED BY COMMISSIONER SCHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0).

4. BED TAX PROFORMA

Ms. O'Connor reported that there are no changes to the proforma as presented at the April meeting; noting that the expenses are in line and the projected receipts will likely exceed estimates.

Lee Guillory addressed the Commission, reporting that revenues are projected to be slightly higher than what was reflected in the FY 2004/05 estimate; however, not strong enough to change the figures at this point.

Ms. O'Connor stated that the FY 2005/06 estimates remain as has been discussed previously and submitted in the budget per the recommendation of the Commission.

5. MONTHLY UPDATES

Bed Tax Staff Report

Ms. O'Connor presented the Commission with an amended report, indicating that year-to-date figures have been changed on Table 1 to reflect the fiscal year performance. Total year-to-date bed tax collections are just over \$6.2 million. Monthly performance shows March 2005 bed tax receipts are up 6% over March 2004, misc. retail is up 16%, and restaurants by 8% over March 2004 figures.

Year-to-date figures reflect increases of 9% for bed tax, 8% for hotel/motel tax, 12% for misc. retail and 11% for restaurants over 2004 year-to-date figures.

Vice Chairman Holdsworth commented that the proforma indicates the possibility of coming in at a higher number than the \$6.8 million in the account estimate. Ms. Guillory stated that she believes the estimate is probably within \$100,000.

In response to inquiry by Commissioner Morrow regarding the expected surplus of this fiscal year, Ms. Guillory indicated that revenues will exceed expenses by approximately \$170,000. She mentioned that budgeted expenses had increased beyond what was originally budgeted.

Commissioner Morrow inquired as to how the changes at WestWorld affect allocations in the proforma. Ms. Guillory explained that discussions are in progress regarding the issuance of debt for the purchase of the land at WestWorld. The exhibit hall may be delayed, and in that event, the debt service allocated for the exhibit hall would not be needed in FY 2005/06.

A brief discussion followed regarding the status of the downtown art museum.

Ms. Guillory reported that both the art museum and the exhibit hall are possibilities and, therefore, remain budgeted for a planned issuance in the Spring of 2006. Ms. O'Connor noted that the purpose of leaving those items in the proforma is so that the Commission can view the effect over time on the cash flow situation, in the event that the project does occur.

Upon inquiry by Vice-Chairman Holdsworth regarding the plan to leave funds set aside for these projects, discussions identified that the goal is to bring these projects to fruition.

However, the funds would be reallocated in the event the City definitely decided against doing the projects. Councilman Ecton noted that the City itself is not pursuing the museum, but the community is, and, at this point, it is in the hands of the community to find a way to make a museum happen.

Smith Travel Report

Ms. O'Connor noted that Attachment No. 4 reflects the positive numbers that are being seen; noting in particular that Rev Par is up nearly 10 percent, year-to-date and was up 11 percent in March. The average rate also continues to make significant improvement over the previous two or three years. Occupancy is improving, but clearly the movement being seen on the revenue side is driven in large part by the increase in the average rate.

Commissioner Zuckerman reflected that all indications in the industry reports are supporting growth in the next year or two.

Project Status Update

Ms. O'Connor noted that Attachment No. 5 is the Scope of Work that went out with the request for qualifications for the five year tourism development strategic plan. This version went out to the three finalists that were selected by the Project Review Committee. Chairman Sickle and Vice Chairman Holdsworth represent the Commission on this Committee.

Nichols Tourism Group, Economic Research Associates and Economic Stewardship were selected from the 12 submittals received. Proposals are due Friday, May 20th. The Project Review Committee will meet on June 7th for presentations by the three finalists, from which the consultant will be selected to do the five-year strategic plan.

The Project Review Committee and the Commission will be active participants in the development of the final product, predicated on the tasks in the scope of work. The RFP states that the consultant will *assist* the City in the development of the five-year strategic plan.

Vice Chairman Holdsworth commented that it was a lengthy but a very good review process. He further noted that the next part of the plan is expected to be more complex and a significant amount of input will be needed from other TDC members, and the tourism community at large, to develop the plan.

Upon inquiry by Councilman Ecton, Ms. O'Connor explained that the criteria put forth in the request for qualifications were translated to an evaluation matrix, and a point allocation was developed. A brief discussion regarding the process continued.

The Desert Discovery Center update proposal is due May 25th. The DDC Planning Committee will meet to review those submittals at a future date, yet to be determined. The Commission is represented in that group by Chairman Sickle.

6. SIGNATURE EVENT DESIGNATION

Ms. O'Connor reminded the Commission that this agenda item is a follow-up to the numerous discussions that have occurred over the past months regarding Signature Event status; what it means today and the value of it. The item is on the agenda for further discussion and/or action on the part of the Commission regarding the future use, by the Commission of the term "Signature Event".

Ms. O'Connor stated that the intent here is to try to allow staff to provide a cohesive response to those events that inquire about what it takes to be a signature event and what it means. In the past it was tied to bed tax funding, but that is no longer the case. All events are now taken on their own merit. The flipside is certain events, by virtue of their longevity, their magnitude and their impact, have attained a level of importance to the community; therefore they are designated as "Signature Events".

Ms. O'Connor further stated that the intent is not to diminish the significance or the importance of certain events, but to craft something that is going to become meaningful within the current context.

Vice Holdsworth expressed confidence in moving forward with discussion of this issue despite the absence of additional Commissioners, noting that the Commissioners present at the meeting have a fairly good idea as to how the other Commissioners feel about this particular issue.

A lengthy discussion ensued, addressing the historical and current status of the term "Signature Events", concerns regarding elimination of status, options and recommendations. Highlights of the discussion follow.

HISTORICAL AND CURRENT STATUS RELATIVE TO SIGNATURE EVENTS

Vice Chairman Holdsworth reflected that the overall historical importance of "Signature Events" has diminished, noting that it has no validation any more and no real benefit to it.

Upon inquiry by Commissioner Morrow, Ms. O'Connor recalled that the New Year's Eve Block Party, the Scottsdale Classic, Celebration of Fine Art are among those who have inquired about the process of obtaining Signature Event status. She further reported that there are events that designate themselves Signature Events, which, from the definition of the Tourism Development Commission, is not the case.

Ms. O'Connor pointed out that due to the Matching Event Advertising Funds Program, an event does not have to be a Signature Event to receive bed tax event funding or municipal services, to the extent that external traffic control is required to support the event.

Ms. O'Connor reiterated that signature event status is not formally tied to any funding or other benefits. She stated the perception that there are discounts available at

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WestWorld, but noted that that is really not the case. She further reported that WestWorld has recently negotiated individually with events that are not signature events and is adopting the same approach of tailoring their negotiations to what the event brings to the table.

CONCERNS

Commissioner Morrow stressed that a decision needs to be reached regarding this issue and believes that the designation needs to be specifically defined and changes made to the rules. He expressed concern that people could sell themselves as a Signature Event while not being officially designated as such. Councilman Ecton pointed out that any one could call themselves a signature event. Further discussion lead to the determination that unless a certificate or something were attached to Signature Event status, there are no measures that prevent one from claiming the status, even without a formal designation.

Ms. Sacco expressed concerns from the PR perspective, suggesting that the Commission consider the possibility of a perception backlash in response to eliminating Signature Event status. She stressed the importance of evaluating what the signature status means to those events and establishing a communication plan that will address fears that access to City support is diminished by the elimination of Signature Event status.

Ms. O'Connor stated she had previously sent a letter to Signature Events requesting that they explain to the Commission what the designation meant to them. She reported that in summary the overall meaning and importance was it allowed them to have that association with the City and opened doors that perhaps would not otherwise have been opened.

Ms. Sacco reflected that the significance is not the word Signature, but that it is a way to gain access to the City; an open door to ask for help with City services. Ms. Sacco also stated that event friendly status, ease of access, open door, all of the perceptual things can be provided without the word signature, but stressed that they should understand what that means.

GRANDFATHERING

Commissioner Shaffer raised the question as to continuing Signature Event status for those events currently designated as such. Discussions ensued.

Ms. O'Connor remarked that whether the Commission decides to grandfather the term itself or not, it will continue to be used by those events that are events currently designated "Signature". However, in terms of what it means to those events, it is a status, and more than anything, a statement of longevity and a relationship that is built up over the years.

Commissioner Morrow concurred that in the eyes of the Signature Events, it confers a certain status and there would be some backlash if that status was taken away from

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them. He commented that consideration should be given to the fact that the decision will affect people and their emotions.

Vice Chairman Holdsworth stated that he personally feels there is no harm in allowing the events to continue to use that designation, if they so desire. However, it is important that they recognize that in the future a different marquee feature will be the driver of support from the TDC and others.

OPTIONS

Commissioner Zuckerman expressed the Commission's frustration over the time and resources spent discussing this issue, but noted that the Commission is committed to event development and support and maximizing the productivity of the tax dollar. He further stated that perhaps it would be best to wait until the new person is in place and a plan is developed so that when the status is removed it is replaced with something that is more meaningful and supportive of the larger effort.

A brief discussion was held regarding the overall status of the new position. Councilman Ecton reported that he has not heard any negative comments regarding the position. Ms. O'Connor reported that the normal mechanics of the hiring process would take between 90 to 120 days.

Councilman Ecton inquired as to whether any investigation has occurred regarding how other City's handle event designation. Ms. O'Connor responded that other cities support events differently than Scottsdale, depending upon their policies and philosophies. She noted that over the years Scottsdale has left the event support program to the bed tax, and municipal support has evolved rather than being a preplanned program. She noted that the City of Tempe's policy and claim to fame is directed towards attracting and funding events. Internet research has revealed that most cities do have some type of matching advertising related program. And in many cases, that's all they have. Municipal services seem to be provided on an as needed basis.

RECOMMENDATIONS

Commissioner Zuckerman stated that the role of the TDC is to make recommendations on how to spend the bed tax dollars. Since the Signature Event status is not related to event matching funding, the role the TDC has in identifying whether an event is signature or not, is unclear. He recommended that the City become more involved in this type of status and that designated signature events remain, but not engage in further designations.

Vice Chairman Holdsworth commented that an underestimated role of the Commission is also the responsibility of assisting in the development of new event opportunities. He stated that to be a program in place that shows potential event organizations that there is a meaningful place for them in the City and that they will be supported in their endeavors. He recalled that at the work study session, Commissioner Morrow introduced a concept of some significant funding for significant events in the early years that tails off after time, once they become established. He elaborated that the Commission is continually doling out funds for organizations that are self-sufficient and

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the focus should be shifted to programs that develop new opportunities and bring new events to the City.

AGREEMENT

Vice Chairman Holdsworth noted that the one thing the Commission appears to be in agreement on is that the current definitions are outdated and inappropriate and that the definition of current Signature Events should be eliminated, whilst recognizing the need to regroup, and develop a new definition of formal acknowledgement of event status by the City. He recommended that the Commission formally eliminate the current definitions for Signature Events, and devise a work study session that will specifically develop criteria and a program for the future. Discussion ensued regarding the formation of the work study group and Ms. O'Connor volunteered that staff would come back to the Commission with the proposed next steps.

Members of the Commission inquired as to the necessity of a formal motion. Ms. O'Connor indicated that a formal vote was not necessary, as the Commission had identified interim steps as opposed to a final resolution of how event recognition and development will be handled in the future.

Ms. O'Connor clarified that the Commission has decided that there will be no new "Signature Events", but as the process evolves and events materialize, they'll be handled accordingly, based on their value. In the interim, when staff receives an inquiry as to "how to become a signature event", the response would be that the Commission is not designating any new signature events at this time, pending the development of a future event support program. And by default, those that are currently signature events, are still designated "Signature Events." Members of the Commission concurred.

Ms. O'Connor stated that the poster child for new events is the Rock N' Roll Marathon or an event of that magnitude. She stated belief that timely response is necessary and the tools are available to react to an opportunity that comes along. She reflected that the Commission is in a much better position to react and recommend to the Council because funding is available should it be needed and there is responsiveness that wasn't there based on the success of a couple of newer events. She reflected that what the Commission is stating with regard to new event development is to tailor the approach to the needs and magnitude of the events.

7. SCOTTSDALE CVB THIRD QUARTER PERFORMANCE REPORT

Ms. O'Connor reported that the CVB has performed at or above the 75 percent level in all performance measures for the first three quarters of the fiscal year, noting that they are well on target to meet or exceed all of their performance level goals for fiscal year 2004/2005.

The Commission congratulated Rachel and her team for a stellar performance in nearly every area.

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Ms. Sacco reported that travel industry sales is tied to the timing of the shows and the two major shows are yet to come. Ms. Sacco expressed certainty that the numbers in that area would be above the goal after the events.

8. SCOTTSDALE CONVENTION AND VISTOR'S BUREAU UPDATE

Ms. Sacco noted that the internal numbers are above what they were expected to be at this time.

The 18th Annual Sunsational Scottsdale Fam Trip program is currently in progress. Ms. Sacco reported that is a stellar group of 27 customers that are representative of corporations and associations and third-party meeting planners from across the country.

The 4th Annual Bon Appetit Celebrity Chef Golf Invitational was a very successful event.

Filming of the television commercials has been completed and they are a cut above the other commercials that have been seen in quite some time. Production should occur in August.

Ms. Sacco further reported that they are looking into making a change in their selection of the analytical company that performs research and provides information relative to relationship marketing. An RFP is also being considered for a new call center as well as a change in the fulfillment center to be in tandem with what is done with the call center.

Mr. DeRaad addressed the Commission regarding changes to the analytical database and segmenting of that database. He further reported on additional changes relative to overhauling the website design.

9. ITEMS FROM THE FLOOR

None.

10. PUBLIC COMMENTS

Councilman Ecton reported that the fate of the EMSD Commission would be before City Council this evening. He invited comments from those who had concerns, ideas and interests to express, whereupon further discussion ensued.

ADJOURNMENT

With no further business before the Commission, the meeting adjourned at 9:38 a.m.

Respectfully submitted,
A-V Tronics, Inc.